

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

Date: February 22, 2005

To: All Civil Service/Exempt Departments

From: State Controller's Office  
Don Ward, Operations Manager  
Personnel/Payroll Operations  
(916) 322-8805

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the January 13, 2005 Personnel/Payroll Committee (PPRC) Meeting and provides information for the March 10, 2005 meeting.

We would like to thank those department representatives that participated in the January meeting for their time and effort. There were 28 representatives from 20 departments that participated in this meeting.

Personnel/Payroll Review Committee  
January 13, 2005 Meeting Notes

Don Ward called the meeting to order at 1:30.

Departments represented:

Air Resources Board, Alcohol and Drug Programs, Board of Equalization, California Highway Patrol, California Integrated Waste Management, CalPERS, California State Library, Corrections, Developmental Services, Emergency Services, Energy Commission, Franchise Tax Board, General Services, Health Services, Lottery, Peace Officers Standards & Training, State Controllers Office, Teale Data Center, Water Resources and Water Resources Control Board.

Old Business:

None

New Business:

Agenda Items  
Distribute Handout Materials  
Approve Prior Meeting Notes  
Guest Speakers  
SCO Update  
Department Issues/Concerns  
Confirm Next Meeting Agenda, Time and Place

Discussion:

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

Approved November 2004 meeting notes.

Guest speaker: Cheryl Salvador, CalPERS Actuarial & Employer Service Division, (916) 795-2918 email, Cheryl\_salvador@calpers.ca.gov addressed the following information regarding CalPERS publications and Circular Letters:

To find Circular Letters, go to the [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) website. In the blue bar across the upper portion of the screen, select "For Employers". From the employer's screen, select State Agency Employer. At this point you will be asked to confirm that you are a State Employer. On the next page there is a menu list down the left side of the screen where you can select Circular Letters. Under Circular Letters, you can choose either current year or archived Circular Letters.

Employment After Retirement with a CalPERS-Covered Employer is addressed in Circular Letter 200-181-04. We have also updated booklet "Employment After Retirement" (PERS-PUB-33) and "Reinstatement from Retirement" (PERS-PUB-37).

To obtain booklets, go to the [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) website and select "For Members". Once at the "Member Information" page, scroll down and click on "Forms and Publications". This will bring up a new window. At the bottom of this page, select "Visit the Library". This will provide a listing of all the publications available on-line.

Disability Retirement Revisions - Steven W. Nolan v. City of Anaheim is addressed in Circular Letter 200-195-04. You must now submit the "Physical Requirements of Position/Occupational Title" form in addition to the duty statement. This new form is an attachment to the Circular Letter and is also in the new revised Disability Retirement Application booklet (PERS-PUB-35).

Implementation of New Domestic Partner Legislation (AB 205) effective January 1, 2005 is addressed in Circular Letter 200-189-04. Due to legislative changes, any reference to spouse in CalPERS publications can now be interpreted as meaning a registered domestic partner as well.

Changes in the prefix for any telephone at the 4th and P headquarters building in Sacramento are identified in Circular Letter 200-188-04. These were a variety of prefixes, but are all now 795.

All member booklets have now been revised. See Circular Letter 200-199-05. Several publications have been combined into 2 booklets covering Industrial and Miscellaneous and Peace Officer and Patrol.

Question: We had some difficulty with the Domestic Partners HBD 12s and how to advise that these are for a Registered Domestic Partner. Must we attach a copy of the certificate from the Secretary of States Office?

Answer: If this is an active member, CalPERS does not require a copy of the certificate. However, as the employer, you should keep a copy in your records just as you would if it is a spouse with a marriage certificate.

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

SCO Update: A revised Personnel/Payroll Operations organization chart was distributed. The primary changes included the movement of several Payroll Operations Supervisors. Nancy Ciancio is now the supervisor of the Direct Deposit and Position Control Units. Greg Garrett is the supervisor of the NDI Unit and Laura Miller is the supervisor of the Retirement Unit.

Forms W-2: We mailed the 2004 W-2s during the second week of January 2005. Please do not call regarding non-receipt of W-2s until after February 1, 2005. This will allow for adequate mail time.

See Payroll Letter 04-017, dated November 22, 2004 for detailed information regarding the 2004 W-2s. Also, refer to Payroll Letter 04-015 dated October 6, 2004 regarding the direct mailing process, billing, etc. Payroll Letter 05-001 dated January 7, 2005 identifies the employee address listings, which are now available on View Direct.

The total number of 2004 W-2s issued this year was 334,588. If you receive W-2s, returned as undeliverable from the U.S. Post Office, please get those forwarded to your employees as soon as possible. Also, please have them complete a new EAR form to update their address in our system.

Just a reminder, do not refer your employees to our office to verify their mailing address for their W-2s. We cannot take the information necessary to look this up, nor can we provide home address over the phone. This is confidential information and protected in the same manner as the social security number.

Warrants requiring redeposit: If you are holding payroll warrants that were issued in 2004 and they need to be returned for redeposit, get them in as soon as possible. The redeposit will generate a corrected W-2C for the 2004 tax year. Also, whenever you submit documentation to us that will result in a corrected W-2, let your employees know this before they complete and file their tax returns. In addition, when returning warrants, also return the statement of earnings. If the warrant is being returned for redeposit, the statement of earnings should never be released to the employee. When you don't return these with the warrants, the redeposit becomes a manual process and takes much longer to complete. Also, it's your responsibility to enter the full SSN when returning an SCO warrant to us.

The Annual Tax Exemption Letters (11,529 Civil Service and 3,345 CSU) were mailed to the Transaction Supervisors the last week of December. Effective February 18, 2005, the exemption from withholding will expire unless renewed. The deadline for keying these is February 4, 2005. We also sent you a listing identifying your employees that are exempt from withholding. We did this to assist you in keeping track of those employees that need to file a new EAR. If you have any questions regarding this information or any suggestions for changing this process, please contact Chris Knutson, Tax Support Section at (916) 322-8112.

We have had several issues with lump sum pay and savings plus deductions not processing the way the employee intended. Please remember, if pay issues in the

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

current year for pay periods in the subsequent year, all of that pay will be reflected on the current year W-2. The W-2 is strictly issue date driven, all pay with issue dates from January 1 through December 31 (or the last payroll cycle of the year) will be reflected on that year's W-2 (regardless of the pay periods).

If your intention is to have the pay issue in the subsequent tax year, then you cannot submit that separation PAR to us with all the lump sum shown to be paid in the current year. You can separate the employee and show the regular time due and whatever portion of the lump sum you want paid in the current year, but then you must wait until after January 1 to give us a corrected PAR showing the total lump sum due, which will generate the remainder of pay in the new tax year and withhold savings plus for the new tax year (if that's what your employee requests). In order for the employee to elect to defer some portion of their lump sum to the subsequent tax year, they must have at least received pay through November of the current year. Refer to PAM 5.76 Lump Sum Payment Deferral. Please note: there must be a payroll cycle available to issue lump sum.

If your department has a policy to not allow direct deposit for lump sum payments, it is your responsibility to cancel the direct deposit prior to submitting the PAR to us. We had several instances this year of lump sum pay with savings plus deductions being issued correctly in one of the final cycles of the year, then to find that calls were received by Direct Deposit to strip the payment(s), redeposit and cancel the direct deposit. In a couple of these cases, the lump sum was reissued without the savings plus deductions. This all requires special handling and the related workload is very time intensive. Also, when pay issues in the new calendar year; this may adversely impact the retiring employee.

There's a tight timeframe in which to accomplish issuing lump sum with savings plus deductions at the end of December. Due to the holidays, we usually only have a couple cycles to issue the pay, and need a minimum of two cycles. If you are given 5 days notice, you must get the PAR to us as soon as possible, using FAX if necessary, so that we have enough time and payroll cycles available to complete this special handling.

If separation is effective prior to the end of the pay period, we have procedures in place to transfer the overage of regular pay into lump sum and the lump sum will, in most cases, have extended correctly. There is usually no need to redeposit the final master warrant. We announced this internal procedure change early last year.

AR pilot: All the participants in our AR Pilot have indicated that it has worked well and saved them valuable time. We will continue in the pilot mode for a couple more months, then we hope to implement the new process statewide.

Master Payroll Certification (MPC): It seems like some agencies are slacking off and some are doing better. We encourage everyone to key MPC earlier in the month.

VPLP: We ran a report and identified several hundred cases where the 350 transaction to lock in this premium was made effective on November 1, 2004, which was actually the last day of the October pay period. As such, we made calls to the

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

various departments and asked that they research these individual's Employment History and make corrections as needed. We had this report run again after the first of December and found quite a few more that were made effective on December 1, 2004, which again was part of the prior pay period. We are in the process of notifying the departments of these cases. When locking any premium into the PAR, great care should be taken to be sure that the correct effective date is used. In some cases, like VPLP, the premium should be effective on the first day of the PAY PERIOD.

CalPERS Retirement Contributions: If an employee owes retroactive retirement contributions, SCO will process transactions to collect these for the current and one prior year based on the effective date of the retirement change. For contributions owed beyond this time frame, CalPERS will make the necessary adjustments. However, according to CalPERS, they can no longer issue partial refunds of retirement contributions to active CalPERS members per a specific IRS code. As such, SCO was requested to make these refund adjustments. In the past, we issued refunds, but only within the current plus one prior year. Effective September 2004, we began issuing retroactive refunds for active CalPERS members for current and 4 prior years. Also, for a variety of other reasons, CalPERS has requested that we also issue refunds of erroneous contributions withheld from employees that are now retired members of CalPERS. As such, SCO is also making refunds for the current and 4 prior years for these employees.

If employees are due PST refunds because they separated and subsequently returned to work, we need a 674 requesting the PST refund. In remarks, please note, "Employee Did Not Request PST Refunds Through DPA". SCO does not refund PST if there is a separation because the employee could have requested the refund through DPA.

This is in reference to the IRS lock we established in November 2003. The phone number to contact IRS on the original Personnel Letter #03-020 has changed from (559) 265-5882 to the following three numbers: (559) 458-7756 or (559) 458-7758 or (559) 458-7769. These are the numbers you can give your employees if they wish to have their withholding allowances re-evaluated by IRS.

FAXing documents: A new fax machine was purchased for our Disability Units. We'll let you know the fax number when we're ready to use it. For Disability faxes, we only accept current month payment requests, or something we have called and asked you to fax us. If we receive other faxes, we put them in date order with the rest of our incoming mail. If you have something hot you need to fax over, you must contact the IDL supervisor Bill Lunardi at (916) 323-4921 or the NDI/TDL supervisor Greg Garrett (916) 322-6511.

A Fiscal Year End contact list will be going out later this month via email from our Position Control Unit supervisor, Nancy Ciancio. Please update this list and return it to Nancy.

Reminder: To reduce the number of vacant position problems, please work your Periodic Position Control reports.

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

When keying a PAR transaction over 3 years old that involves changes in Salary Rate, a new date of entitlement is needed. It is the responsibility of the department to have the documented authorization on file. Make sure you receive authorization from the appropriate control agency. For example, if it involves an appointment or range change of a deep class, you must get authorization from SPB. This date must be posted in item 215 on the PAR or if unable to post in item 215 then a 215 transaction must be posted next to the transaction where item 215 does not open.

We get a lot of PARS faxed to us that are not clear or legible. We prefer TAD's in 2 parts rather than reducing the PAR to one page. Also, make sure the fax is not too dark or blurry.

Please write a complete phone number on all PARS you send in. We get PARS with partial or no numbers and it slows our processing time down to have to look up the numbers.

When you call one of our Personnel Liaison specialists and they do not answer, leave a message. Our goal is to respond within 24 hours; however, we usually respond within a few hours. If you don't get an answer within 24 hours, call the CS Audits supervisor, Linda Danko, at (916) 322-8111. Please don't hang up and call another specialist or leave the same message on several phones.

There are two different timeframes for accessing our systems: CICS1, which includes (PIMS, HIST/POIS, CSUC, TAXI) is up 6:45 AM-6PM M-F and CICS3 which includes (LAS, PIP, IDLS) is up 6:15 AM-6 PM M-F. For Saturdays, CICS1 and CICS3 are both up at their respective M-F beginning time, but only until 4pm. Additionally, on Saturdays PIMS is inquiry only. Anyone needing extended access should call SCO's Data Guidance Unit at (916) 322-8132.

AR Threshold: Pursuant to GC 16582, effective with overpayments occurring after January 1, 2005, agencies will not be notified of an overpayment for a pay period/payment type that results in an overpayment gross amount of \$25.00 or less. An AR will only be established for the overpayment if requested by the agency via form STD. 674 A/R. Refer to PPM Section I 019 for overpayments excluded from this process.

Reminder: The PPRC meeting notes are now being posted on the SCO web site instead of being sent to you via email. We try to post the notes on the web site within the month following the meeting. You can access this site at <http://www.sco.ca.gov/ppsd/pprc>

Questions/Answers:

Question: Can you provide a training session for processing separation pay with deferral conditions?

Answer: We will consider having someone from Operations address this process in September/October of this year. We did something similar for one large agency and it appeared to have positive results.

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
JANUARY 2005**

Question: Could this training be added to the Statewide Training classes?

Answer: We will pass this request on to the manager of the Statewide Training Unit.

Question: We had several employees where we requested specific deductions for Deferred Compensation and the pay that issued was not processed as we requested. The total amount requested was taken but the month-to-month deductions did not match.

Answer: We make every effort to comply with the remarks on the separation PAR. Without specific information to research we don't know why these may not have matched what you expected.

Next Meeting:

The next Meeting is Thursday, March 10, 2005 from 1:30 to 3:30 at:

State Controller's Office  
300 Capitol Mall, 6th Floor, Room 635  
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the 2005 calendar year. All meetings are from 1:30 to 3:30 at the above location.

May 12, 2005  
July 14, 2005  
September 8, 2005  
November 10, 2005

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at [dward@sco.ca.gov](mailto:dward@sco.ca.gov)